

FDIC State Profile

Fall 2004

Florida

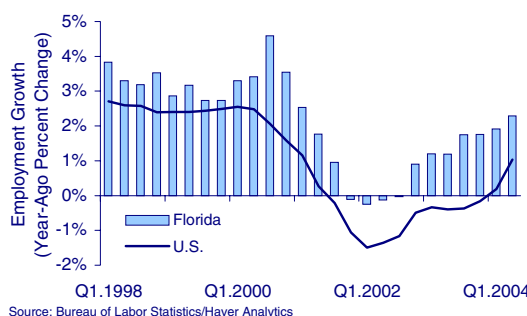
Florida's recovery is among the strongest in the nation.

- Florida's economic growth continues to rise. Though still below late-1990 levels, job growth in the state during the second quarter was an exceptional 2.3 percent—fifth highest in the nation (See Chart 1). Labor market conditions throughout the state vary widely, with several metropolitan areas seeing jobless rates below the national average (See Map 1).
- Florida's tourist industry continues its recovery, with visitor levels in second quarter 2004 up 3.8 percent from a year earlier. Similarly, hotel occupancy rates have continued to rise in all major markets, though they still remain below their late-1990s peak. Reflecting growing confidence in the recovery, growth in the number of hotel rooms, though still modest, has rebounded from recent lows.
- Continued healthy economic growth has supported a stable rate of new business formations in the state. Further, reflecting Florida's recovering business climate, commercial bankruptcies have trended downward in recent years (See Chart 2). Lending to small businesses likewise may be starting to recover. Between the years ending second quarter 2000 to 2003, lending sank from double-digit growth to virtually stagnating gains. Over the past year, however, lending growth has started to rise modestly.

Residential real estate in Florida continued to boom through the first half of 2004.

- Homebuilding in Florida continued to boom through the first half of 2004, with single-family permitting and home sales reaching record levels. Similarly, home prices in first quarter 2004 were up 11.7 percent from a year earlier, the largest increase in more than two decades. The threat of further increases in mortgage rates may be fueling short-term demand for housing. However, reports of speculative activity and property "flipping" have emerged in some areas, especially some coastal condo markets. Rapid home price appreciation also may be constraining affordability in some markets.

Chart 1: Job Growth in Florida Is Well Above the Nation



Map 1: Apart from Southeast Florida, Most Metro Areas See Jobless Rates Below the U.S. Average

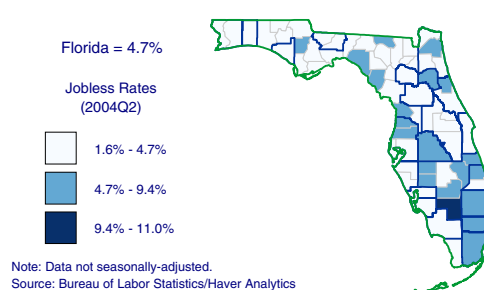
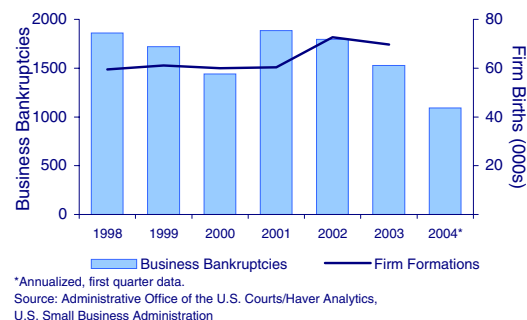


Chart 2: Business Bankruptcies in Florida Have Declined



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- Historically, banks headquartered in Florida have been big issuers of commercial real estate (CRE) loans. Six out of the top 25 markets nationally with the highest capital exposure to CRE were in the state of Florida and include: **Melbourne** (4th), **Sarasota** (5th), **Naples** (6th), **Ft. Lauderdale** (10th), **Ft. Walton** (12th), and **Tallahassee** (17th). Combined exposures in these MSAs totaled 525 percent of capital at June 30, 2004. This compares to a 385 percent exposure level statewide.

The impact of hurricane season continues to be assessed.

- The 2004 hurricane season has been very active with three named storms hitting the state by early September. The impact of the storms is having disparate effects across the state. One state agency estimated that an untold number of jobs and businesses will be permanently destroyed. Industry sectors, such as agriculture, transportation, and tourism, have been adversely affected by the storms. Repairing damage from the hurricane also likely will be hampered by shortages in manpower and construction material as the state has been in the midst of a construction boom. Insurance reforms may lead to greater loss sharing by homeowners and businesses. Gaps in insurance coverage could exist that may surprise some policy and collateral lien holders.

Earnings growth returns to Florida.

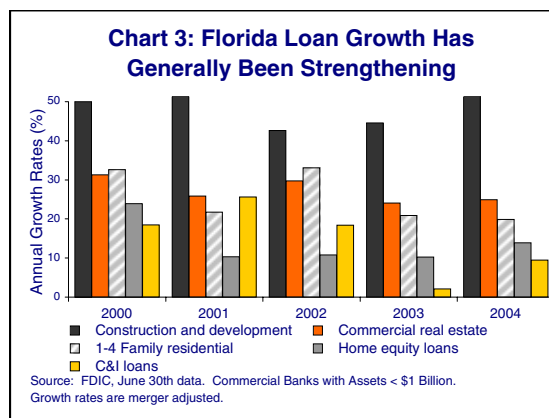
- After slowing in the first quarter of 2004, earnings growth returned to the state as net income reached a record high in the second quarter of 2004. Year-over-year, merger adjusted net income at community banks in the state was \$220 million, up from \$172 million a year earlier.¹ Despite a stable net interest income level and drop in noninterest revenues, earnings were bolstered by improved efficiencies as noninterest income fell 18 basis points over the 12-month period ending June 30, 2004.
- Profitability measures were mixed in the second quarter. Net interest margins remained unchanged at 4 percent, a level below the national average of 4.17 percent. Return on assets (ROA) however, also benefited from the improved efficiencies in addition to lower provision expenses during the period. Subsequently, ROA rose 7 basis points to 0.94 percent, but still remained below the national average of 1.22 percent.

Rising interest rates negatively impact securities portfolios while loan growth is robust.

- As in most states, the second quarter spike in interest rates had a negative impact on Florida bank security portfolio market valuation. In second quarter 2004, banks

headquartered in the state reported *depreciation* of 1.3 percent, compared to the approximate *appreciation* of 0.88 percent during the prior quarter—a negative swing of more than 200 basis points. Further fluctuation in security portfolio valuations are likely as continued changes are anticipated in the interest rate environment.

- At June 30, 2004, overall loan growth was 24 percent on a merger-adjusted basis compared to an 11 percent rate of growth nationwide. Year-over-year, most loan categories were stronger (See Chart 3). Additionally, asset quality measures continued to improve with total past due loans and nonaccruals falling below 1 percent of loans.



¹Community banks have assets less than \$1 billion dollars and exclude thrifts.

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Florida at a Glance

General Information	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Institutions (#)	302	305	301	307	310
Total Assets (in thousands)	118,250,886	106,282,616	94,802,305	87,535,895	78,521,463
New Institutions (# < 3 years)	35	30	54	75	80
New Institutions (# < 9 years)	124	117	112	105	102
Capital	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Tier 1 Leverage (median)	8.41	8.43	8.57	8.94	9.00
Asset Quality	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Past-Due and Nonaccrual (median %)	0.62%	0.85%	0.97%	1.06%	0.96%
Past-Due and Nonaccrual >= 5%	13	12	24	20	22
ALLL/Total Loans (median %)	1.16%	1.19%	1.18%	1.17%	1.16%
ALLL/Noncurrent Loans (median multiple)	3.83	2.58	2.30	2.02	2.03
Net Loan Losses/Loans (aggregate)	0.05%	0.20%	0.24%	0.33%	0.24%
Earnings	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Unprofitable Institutions (#)	39	38	45	61	74
Percent Unprofitable	12.91%	12.46%	14.95%	19.87%	23.87%
Return on Assets (median %)	0.82	0.83	0.81	0.74	0.74
25th Percentile	0.41	0.41	0.33	0.21	0.10
Net Interest Margin (median %)	3.98%	3.97%	4.24%	4.13%	4.50%
Yield on Earning Assets (median)	5.35%	5.83%	6.62%	8.12%	8.14%
Cost of Funding Earning Assets (median)	1.35%	1.79%	2.38%	4.01%	3.65%
Provisions to Avg. Assets (median)	0.15%	0.18%	0.21%	0.19%	0.19%
Noninterest Income to Avg. Assets (median)	0.62%	0.71%	0.71%	0.70%	0.72%
Overhead to Avg. Assets (median)	3.02%	3.17%	3.30%	3.40%	3.66%
Liquidity/Sensitivity	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Loans to Deposits (median %)	83.10%	81.57%	81.19%	79.81%	78.42%
Loans to Assets (median %)	69.46%	68.38%	69.14%	67.86%	66.13%
Brokered Deposits (# of Institutions)	99	82	62	48	40
Bro. Deps./Assets (median for above inst.)	4.48%	4.82%	4.95%	3.41%	2.40%
Noncore Funding to Assets (median)	21.08%	21.75%	20.71%	19.50%	18.07%
Core Funding to Assets (median)	67.53%	67.69%	68.29%	68.32%	69.89%
Bank Class	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
State Nonmember	162	161	155	153	147
National	69	70	72	77	82
State Member	31	31	32	32	35
S&L	2	4	3	3	4
Savings Bank	38	39	39	42	42
Stock and Mutual SB	0	0	0	0	0
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
Miami FL PMSA	45	38,928,514	14.90%	32.92%	
No MSA	42	8,148,808	13.91%	6.89%	
Tampa-St Pete-Clearwater FL	34	6,891,654	11.26%	5.83%	
Orlando FL	26	10,988,672	8.61%	9.29%	
Ft Lauderdale FL PMSA	19	8,269,126	6.29%	6.99%	
Sarasota-Bradenton FL	19	3,661,239	6.29%	3.10%	
W Palm Beach-Boca Raton FL	18	7,117,283	5.96%	6.02%	
Jacksonville FL	16	4,949,940	5.30%	4.19%	
Ft Myers-Cape Coral FL	10	2,829,750	3.31%	2.39%	
Naples FL	10	6,969,178	3.31%	5.89%	
Daytona Beach FL	9	847,156	2.98%	0.72%	
Ft Pierce-Port St Lucie FL	8	6,582,736	2.65%	5.57%	
Pensacola FL	7	1,535,590	2.32%	1.30%	
Ft Walton Beach FL	7	2,071,365	2.32%	1.75%	
All Other MSAs	32	8,459,875	10.60%	7.20%	